

TOWNSHIP OF BRONSON

FINANCIAL STATEMENT

MARCH 31, 2006

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Bronson Township</u>	County <u>Branch</u>
Audit Date <u>March 31, 2006</u>	Opinion Date <u>Sept. 26, 2006</u>	Date Accountant Report Submitted to State <u>September 27, 2006</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|------------------------------|--|---|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1932, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name)

David F. Lacey, CPA

Street Address

10136 N. M-66

City

Sturgis

State

MI

ZIP

49091

Accountant Signature

[Signature]

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Bronson
Bronson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Bronson, Branch County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Bronson, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the governmental activities of the Township of Bronson, Michigan, as of March 31, 2006, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bronson, Branch County, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'D. Locey', is positioned above the printed name.

David F. Locey, CPA, PC
Sturgis, Michigan
September 25, 2006

Township of Bronson
Combined Balance Sheet - All Fund Types and Account Groups
March 31, 2006

	Governmental Fund Type General Fund	Fiduciary Fund Type Agency	Account Group General Fixed Assets	Total (Memorandum Only)
<u>ASSETS</u>				
Cash in bank	\$335,977	\$701	\$0	\$336,678
Taxes receivable	3,121	0	0	3,121
State revenue sharing	22,373	0	0	22,373
Due from other funds	701	0	0	701
Accrued Interest Receivable	4,550	0	0	4,550
Equipment	0	0	40,239	40,239
Total assets	<u>\$366,722</u>	<u>\$701</u>	<u>\$40,239</u>	<u>\$407,662</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accrued payroll taxes	\$151	\$0	\$0	\$151
Due to other funds	0	701	0	701
Total liabilities	151	701	0	852
Fund equity:				
Investment in general fixed assets	0	0	40,239	40,239
Fund balances:				
Unreserved:				
Undesignated	366,571	0	0	366,571
Total fund equity	366,571	0	40,239	406,810
Total Liabilities and Fund Equity	<u>\$366,722</u>	<u>\$701</u>	<u>\$40,239</u>	<u>\$407,662</u>

The notes to the financial statements are an integral part of this statement.

Township of Bronson
Combined Statement of Revenues, Expenditures and Changes
In Fund Balances - All Governmental Fund Types
For the Year Ended March 31, 2006

	Total (Memorandum Only) <u>General Fund</u>
REVENUES	
Property taxes	\$30,710
Licenses and permits	1,626
State revenue sharing	93,000
Charges for services:	
Property tax administration	9,954
Interest	10,533
Special assessments	886
Miscellaneous	<u>829</u>
Total revenues	147,538
EXPENDITURES	
Legislative:	
Township board	14,552
General government:	
Supervisor	8,011
Assessor	9,451
Clerk	8,074
Board of Review	765
Treasurer	15,611
Building and grounds	5,898
Cemetery	4,510
Elections	845
Public safety:	
Fire protection	23,798
Public works:	
Street lighting	950
Highways and streets	55,708
Drains at large	6,078
Culture recreation:	
Library	<u>2,244</u>
Total expenditures	<u>156,495</u>
Excess of Revenues Over (Under) Expenditures	(8,957)
Net Assets - Beginning of the Year	<u>375,528</u>
Net Assets - End of the Year	<u>\$366,571</u>

The notes to the financial statements are an integral part of this statement.

Township of Bronson
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - General Fund
For the Year Ended March 31, 2006

	General Fund		Over (Under)
	Budget	Actual	Budget
REVENUES			
Property taxes	\$27,247	\$30,710	\$3,463
Licenses and permits	0	1,626	1,626
State revenue sharing	91,870	93,000	1,130
Charges for services:			
Property tax administration	9,954	9,954	0
Interest	7,483	10,533	3,050
Special assessments	886	886	0
Miscellaneous	4,837	829	(4,008)
Total revenues	142,277	147,538	5,261
EXPENDITURES			
Legislative:			
Township board	14,603	14,552	(51)
General government:			
Supervisor	8,011	8,011	0
Assessor	9,389	9,451	62
Clerk	8,074	8,074	0
Board of Review	765	765	0
Treasurer	15,611	15,611	0
Building and grounds	5,898	5,898	0
Cemetery	4,510	4,510	0
Elections	845	845	0
Public safety:			
Fire protection	23,798	23,798	0
Public works:			
Street lighting	950	950	0
Highways and streets	55,708	55,708	0
Drains at large	6,079	6,078	(1)
Culture recreation:			
Library	2,244	2,244	0
Total expenditures	156,485	156,495	10
Excess of Revenues Over (Under) Expenditures	(14,208)	(8,957)	5,251
Net Assets - Beginning of the Year	375,528	375,528	0
Net Assets - End of the Year	\$361,320	\$366,571	\$5,251

The notes to the financial statements are an integral part of this statement.

Township of Bronson, Branch County, Michigan
Notes to Financial Statements
For the Fiscal Year Ended March 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Township of Bronson is located in Branch County and provides services including public safety and general administrative services.

PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING PURPOSES

REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township's executive or legislative branches.

The reporting entity is the Township of Bronson. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

BASIS OF PRESENTATION

FUND ACCOUNTING

The accounts of the Township of Bronson are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

GOVERNMENTAL FUND TYPES

These are the funds through which most governmental functions typically are financed. The funds in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Township of Bronson, Branch County, Michigan
Notes to Financial Statements
For the Fiscal Year Ended March 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D.)

FIDUCIARY FUND

The Current Tax Collection Fund is used to account for assets held as an agent for others.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

GOVERNMENTAL FUNDS

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines, forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are both measurable and available).

FUND EQUITY

The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

BUDGET AND BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control for all funds of the Township. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and Special Revenue Funds. The same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis.

All unencumbered budget appropriations lapse at the end of each fiscal year, Township adopted fiscal year 3/06 budget in 3/05.

Township of Bronson, Branch County, Michigan
Notes to Financial Statements
For the Fiscal Year Ended March 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D.)

BUDGET VARIANCES

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budget of the Township for the General Fund was adopted on an activity level, and amended periodically by the Township Board. During the year ended March 31, 2006, the Township incurred expenditures in certain activities which were in excess of the amounts appropriated.

<u>Fund Activity</u>	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Assessor	\$9,389	\$9451	\$62

REVENUE RECOGNITION

Property tax revenue recognition - The local unit property tax is levied on each December 1 on the taxable valuation of property located in the Township of Bronson as of the preceding December 31. Ad valorem taxes were levied for the local unit operating purposes. These amounts are recognized in the general fund financial statement as taxes receivable or current tax collection.

TOTAL COLUMN ON COMBINED STATEMENTS – OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles, also is not data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Township of Bronson, Branch County, Michigan
Notes to Financial Statements
For the Fiscal Year Ended March 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D.)

Township of Bronson, Branch County, Michigan
Notes to Financial Statements
For the Fiscal Year Ended March 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D.)

CASH AND CASH EQUIVALENTS

Deposits are carried at cost. Deposits of the Township are at one bank in the name of Township of Bronson. Michigan Compiled Laws (MCL), Section 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bond securities, and other obligations of the United States, or an agency or instrumentality of the United States in which principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Governmental National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan Law prohibits security in the form of collateral, security bonds, or other forms for the deposit of public money.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in the states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Township's cash deposits are follows:

<u>Deposit</u>	<u>Primary Government Carrying Amount</u>
Insured (FDIC)	\$ 100,000
Uninsured	<u>235,977</u>
Total Deposits	<u>\$ 335,977</u>

Cash equivalents are certificates of deposit accounts with maturity of 180 days - because of liquidity they are considered the same as cash.

FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance 04/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 03/31/06</u>
Equipment	<u>\$36,577</u>	<u>\$ 3,661</u>	<u>\$ 0</u>	<u>\$40,239</u>

Township of Bronson, Branch County, Michigan
Notes to Financial Statements
For the Fiscal Year Ended March 31, 2006

COMPENSATED ABSENCE

None.

PENSION PLAN

The Township has a defined contribution pension plan for which all Township Board members are eligible. The Township contributes a percentage of each board member's wages to the plan. Pension expense for the fiscal year ended March 31, 2006, was \$7,634.

COMMITMENTS AND CONTINGENCIES

Management of the Township is not aware of any material commitments or contingent liabilities.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

GASB 34 REPORTING FINANCIAL

Township has elected not to convert to GASB 34 format, therefore assets owned by the Township such as building and equipment are not stated at current values as of 03/31/06, also no current charge is being recorded for current year depreciation. Accordingly the Management and Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Township of Bronson
General Fund
Expenditures by Detailed Account
For the Year Ended March 31, 2006

Township Board:	
Wages	\$2,200
County services	963
Printing and publishing	167
Memberships and dues	628
Pension	7,634
Workman's compensation	505
Medicare	299
Miscellaneous	2,156
	<hr/> 14,552
Supervisor:	
Wages	8,000
Office Supplies	11
	<hr/> 8,011
Assessor:	
Wages	5,730
Miscellaneous	3,721
	<hr/> 9,451
Clerk:	
Wages	8,000
Office Supplies	74
	<hr/> 8,074
Board of Review:	
Wages	765
Treasurer:	
Wages	11,500
Office supplies - equipment	4,111
	<hr/> 15,611
Building and grounds:	
Insurance	5,066
Repairs and maintenance	832
	<hr/> 5,898
Cemetery:	
Maintenance	4,510

Township of Bronson
General Fund
Expenditures by Detailed Account - Cont'd
For the Year Ended March 31, 2006

Elections	845
Fire Protection: Contracted services	23,798
Street lighting	950
Highways and streets	55,708
Drains at large	6,078
Library	<u>2,244</u>
Total Expenditures	<u>\$156,495</u>

Township of Bronson
Current Tax Collection Fund
Statement of Changes in Assets and Liabilities
For the Year Ended March 31, 2006

	Balance April 1, 2005	Receipts	Deductions	Balance March 31, 2004
ASSETS				
Cash and Cash Equivalents	<u>\$825</u>	<u>\$741,827</u>	<u>\$741,951</u>	<u>\$701</u>
LIABILITIES				
Due to other funds	\$825	\$24,471	\$24,595	\$701
Due to other units	<u>0</u>	<u>717,356</u>	<u>717,356</u>	<u>0</u>
Total Liabilities	<u>\$825</u>	<u>\$741,827</u>	<u>\$741,951</u>	<u>\$701</u>

Township of Bronson
Current Tax Collection Fund
Statement of Cash Receipts and Disbursements
For the Year Ended March 31, 2006

Cash in Bank - Beginning of Year	\$825
Cash receipts:	
Taxes, assessments, and interest	<u>741,827</u>
Total beginning balance and cash receipts	<u>742,652</u>
Cash disbursements:	
Township General Fund	24,471
Branch County	617,690
Bronson Community Schools	69,039
Other	<u>30,751</u>
Total cash disbursements	<u>741,951</u>
Cash in Bank - End of Year	<u>\$701</u>

David F. Locey, C.P.A., P.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township of Bronson
Branch County, Michigan

We have audited the general purpose financial statements of the Township of Bronson, as of and for the year ended March 31, 2006 and have issued our report thereon dated September 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Bronson's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Bronson's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DAVID F. LOCEY, C.P.A., P.C.

Sturgis, Michigan
September 25, 2006

David F. Locey, CPA, PC

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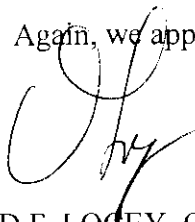
COMMENTS AND RECOMMENDATIONS

Township of Bronson
Bronson, Michigan

We appreciated the opportunity of examining the records for the year ended March 31, 2006 and the assistance given during the examination.

During the course of the examination we noted no matters that were of material importance to point out to the Association for future reference.

Again, we appreciate the opportunity of being of service to you.

A handwritten signature in dark ink, appearing to be 'D. Locey', is written over the text 'Again, we appreciate the opportunity of being of service to you.'.

DAVID F. LOCEY, C.P.A., P.C.
September 26, 2006